

## Memorandum

*Flex your power!  
Be energy efficient!*

To: KARLA PETERS  
Contract Analyst  
Division of Procurement & Contracts

Date: March 27, 2008

From: MARYANN CAMPBELL-SMITH  
Chief, External Audits  
Audits and Investigations

File: P1400-2692

Subject: Postaward Audit – Jones & Stokes Associates, Inc.

We have audited Jones & Stokes Associates, Inc.'s (Consultant) proposed costs under Agreement No. 03A1317 with the Department of Transportation (Department) to determine whether the proposed costs are reasonable in relation to actual historical costs and estimating procedures, and whether the Consultant's financial management system is adequate to accumulate and segregate reasonable, allocable and allowable project costs. We also reviewed the contract to assess whether the required fiscal provisions are included.

The Consultant management is responsible for the fair presentation of the proposed costs, ensuring compliance with contract provisions and state and federal regulations, and that the financial management system maintained by the Consultant is adequate to accumulate and segregate reasonable, allocable and allowable costs.

Our audit was conducted in accordance with the Performance Standards set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States of America. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of the Consultant. Therefore, we did not audit and we are not expressing an opinion on the Consultant's financial statements.

The standards require that we plan and perform the audit to obtain reasonable assurance about whether the data and the records audited are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and records selected. It also includes assessing the accounting principles used and significant estimates made by the Consultant management, as well as evaluating the overall presentation.

The Consultant shall provide professional environmental support services for transportation improvement projects in the North Region: Districts 1, 2, and 3. The total amount of this agreement shall not exceed \$6,000,000. Reimbursement is to be made at specified hourly rates to the following consultants:

Jones & Stokes Associates, Inc. (Prime) ^  
Illingworth & Rodkin Inc. \*  
Burleson Consulting, Inc. \*  
Hubbs SeaWorld Research Institute \*  
CR Communications\*  
Traffic Research & Analysis, Inc. \*

^ - Full scope audit performed.

\* - Audit waived.

The scope of the audit was limited to financial and compliance activities related to the above referenced agreement. The audit consisted of verifying the proposed costs and an assessment of the accounting principles used, and significant estimates made by the Consultant; as well as, an evaluation of compliance with Code of Federal Regulations (CFR) 49, Part 18 and CFR 48, Chapter 1, Part 31. This audit included a full scope audit of the Consultant. We reviewed the agreement, interviewed applicable personnel, and performed limited tests on the Consultant's financial management system and proposed costs as of October 11, 2007. Financial management system and cost proposal changes subsequent to this date were not tested and, accordingly, our conclusion does not pertain to changes arising after this date. We did not audit or examine the proposed indirect rates since a postaward audit is significantly less in scope than an incurred cost audit or examination. We reviewed the proposed indirect rates for the purpose of accepting contract progress billings.

Due to inherent limitation in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any audit of the financial management system to future periods are subject to the risk that the financial management system may become inadequate due to changes in conditions, or the degree of compliance with policies and procedures may deteriorate.

The results of the audit were communicated to Dave McCants, Controller, Jones & Stokes Associates, Inc. and Brenda Schimpf, Department Contract Manager, on October 16, 2007; and to Dapo Okupe, Department Contract Negotiator, on March 26, 2008. The findings take into consideration information provided as of October 11, 2007. Our findings and recommendations, the Consultant responses, and our analysis of the Consultant responses are set forth in the Attachment to this report.

## **CONCLUSION**

Based on our audit work, we found the required fiscal provisions are included in the agreement. In addition, the Consultant's proposed costs are reasonable in relation to actual historical costs and estimating procedures and the Consultant's financial management system is adequate to accumulate and segregate reasonable, allocable, and allowable project costs, except as noted in the Attachment to this report.

This report is intended solely for the information of the Department and the Federal Highway Administration. However, this report is a matter of public record and its distribution is not limited.

Please forward a copy of the revised agreement and cost proposal to Audits and Investigations. If you have any questions, please contact Linda Laubinger, Audit Manager, at (916) 323-7957.

## **ORIGINAL SIGNED BY:**

~~Lisa Moreno~~  
Auditor

Approved:

## **ORIGINAL SIGNED BY:**

MARYANN CAMPBELL-SMITH  
Chief  
External Audits

Attachments

c: Jan Smelser, Chief, DPAC  
Brenda Schimpf, Environmental Management, D3  
PI400-2692

**ATTACHMENT**  
**Postaward Audit Findings and Recommendations**  
**Agreement No.: 03A1317**

**Jones & Stokes Associates, Inc.**

**Finding 1**

The following proposed hourly rates are overstated:

<u>Name</u>	<u>Proposed Rate</u>	<u>Evaluated Rate</u>
Rob Preston	\$46.00	\$36.77
Brad Schafer	45.92	34.39

**Recommendation:** We recommend the cost proposal be revised to the evaluated rates for the above named employees.

**Consultant's Response:** The Consultant provided additional information for Jennifer Alvarez to support the proposed hourly rate.

**Auditor's Comments:** After reviewing the additional information sent by the Consultant and re-evaluating Jennifer Alvarez's hourly rate, we determined that her proposed rate was supported and her name was removed from the finding.

**Finding 2**

Angela Alcala and April Zohn are no longer employed by the Consultant.

**Recommendation:** We recommend the names above be removed from the cost proposal.

**Consultant's Response:** Concurred with the finding.

**Finding 3**

Proposed cell phones and laptops should be charged at actual cost.

**Recommendation:** We recommend the cost for cell phones and laptops be reimbursed at actual cost, supported by vendor invoices, for field work in remote service areas only.

**Consultant's Response:** Concurred with finding.



# Jones & Stokes

October 22, 2007

Maryann Campbell Smith  
Chief of External Audits

RE: Preliminary Finding on Contract 03A1317

1. Jennifer Alvarez Haire – At the time of the contract initiation Jennifer Alvarez Haire was at 80% time not at the 90% time that was used to calculate during the audit. Jennifer is now at 90% time and her rate is \$29.59 per hour as stated on the original cost proposal. Please see attached documentation.
2. Robert Preston – Robert Preston's rate should be \$36.77. The rate of \$46.00 was miss-stated on the cost proposal. Please see attached documentation.
3. Brad Schafer – Brad Schafer's rate should be \$34.77. The rate of \$45.92 was miss-stated on the cost proposal. Please see attached documentation.

Please let me know if you have any questions or need anything further.

Sincerely,

**ORIGINAL SIGNED BY:**

David McCanta  
Controller  
Jones & Stokes Associates, Inc.